

What Matters?

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For more information regarding THDA and its programs, See Our Website

www.state.tn.us/thda



Housing Matters



Volume 2, No. 1 Tennessee Housing Development Agency Winter 02-03

THDA Celebrates 30-Years of Success

by Ted Fellman,
Chief Financial Officer, THDA

In 1973, the Tennessee Housing Development Agency (THDA) was created by the Tennessee General Assembly. The purpose: address the housing needs of low and moderate income Tennesseans. Has this initiative been a success? By every measure the answer is a resounding YES!

The mission of THDA is to be the lead State agency promoting sound and affordable housing for people who need help. Since its inception THDA has helped almost 80,000 first-time homebuyers realize the ultimate "American Dream," through the single-family mortgage program. To put this in a different perspective, if all the people who benefited from THDA mortgages lived in the same city, it would be the eighth largest city in Tennessee! During the past 30 years, THDA has issued over \$4.8 billion in bonds to finance mortgages.

The Agency has also helped thousands of Tennesseans by administering federal programs such as, the Section 8 Rental Assistance Programs and the HOME Grant Program. Thousands of affordable multifamily units have been created over the years due to THDA's administration of the federal Low-Income Housing Tax Credit Program, as well as the Agency's efforts in sharing its tax-exempt bonding authority with local issuers. The Agency has also created special programs that have been nationally recognized, such as the

Bicentennial Neighborhoods Initiative in the late 1990's.

THDA's success is not only evident in its programmatic accomplishments. The Agency has been a financial success as well, doing a public mission without the use of state tax dollars. Through prudent financial management and investments, THDA has been and continues to be self-supporting. From humble beginnings in 1973, the Agency has grown to an organization with 180 employees, \$2.4 billion in assets and a fund balance of \$370 million.

The most important ingredients to the Agency's success are its employees and its board. THDA is fortunate to have an experienced and dedicated team of housing and financial professionals, who take pride in knowing that the work they do, has a positive impact on Tennessee families. THDA's board is made-up of 19 members from communities across the state that have an expertise in the housing industry. With great programs, financial resources and employees THDA is poised to continue its work for the next thirty years!

In 2003, we are planning some special events to thank many of our partners for helping THDA achieve its mission.

For more information about THDA and its programs, contact our Nashville office at (615) 741-2400 or log on to our website at www.state.tn.us/thda

Breaking New Ground with a Hispanic Conference

by Don Harris,
Deputy Executive Director, THDA

A one-day conference focusing on housing and increasing the homeownership opportunities for Hispanics across Tennessee is scheduled for April 3, 2003, in Nashville, Tennessee. The conference theme is "New Neighbors – Opening Your Doors to the Hispanic Community". The Hispanic population across Tennessee has increased significantly according to the recent 2000 census data. The number of Tennessee residents identified ethnically as Hispanics by the Census Bureau almost quadrupled from 32,741 in 1990 to 123,838 in 2000. Among the 105,775 who were counted as Hispanics ages 5 or above in 2000, almost half of them moved here since 1995, as shown in the Chart below. There are a number of housing issues that face the Hispanic population, ranging from transitional housing availability, safe and decent rental housing units, and the opportunity to purchase affordable housing within their respective counties.

THDA has partnered with the Federal Reserve Bank of Atlanta –

Nashville Branch; FannieMae — Tennessee State Office; Federal Home Loan Bank; U.S. Department of Housing and Urban Development; Office of the Tennessee Secretary of State; USDA Rural Development; Douglas Cherokee Economic Authority (a non-profit agency); Conexion Americas; United Housing of Memphis; Legal Aid of East Tennessee; and the East Tennessee Latino Economic Task Force to develop and plan this important event.

The conference, to be held at the Radisson Hotel – Opryland, will consist of presentations from national, state and local speakers who have experience with housing issues with the Hispanic population. Breakout sessions will cover timely topics of importance including, Homeownership; Marketing to the Hispanic Community; Fair Housing Issues; Homebuyer Education; Multifamily and Farm-worker Housing; and Understanding the Hispanic Culture. The overall goal is to bring our banking, lending, realtor and non-profit institutions together to explore ways that credit, lending and

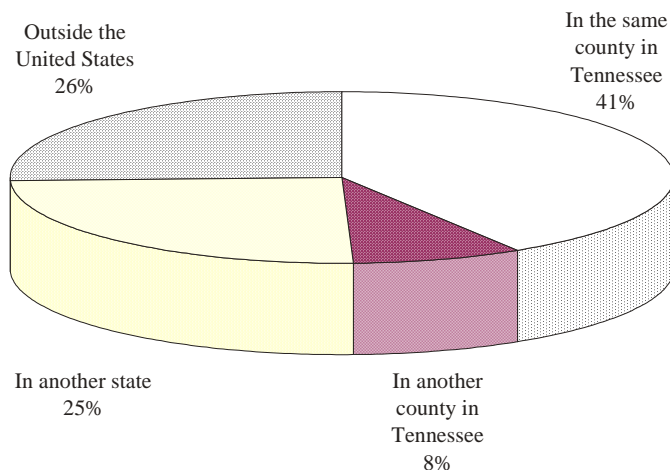
homeownership opportunities can be accessed for our Hispanic residents. This is the first statewide effort made to bring these issues to the forefront giving local community's lending institutions an opportunity to obtain information on successful models being used to meet the needs of this growing population.

The cost of the conference is \$50.00 per person. This includes lunch and a reception, to allow participants an opportunity to network with the presenters and other conference attendees. Registration forms for the conference will be available via the THDA website:

www.state.tn.us/thda after February 17, 2003. It is important to register as soon as possible because conference seating is limited.

We are excited about this new venture. Be sure to mark your calendars and join us in making dreams come true. For more information about this conference, please contact Deputy Executive Director, Don Harris at 615-741-2400, or log onto our website at www.state.tn.us/thda.

Where did the Tennessee Hispanic Population ages 5 or more in 2000 live in 1995?



Interested in State Legislation?

Important issues are raised each year that affect THDA. A summary and a current update on legislation related to housing and housing issues can be found on THDA's website at www.state.tn.us/thda

HOME Program Makes a Difference in 28th Legislative District

by Victor Williams,

Senior Housing Program Specialist, THDA

When THDA incorporated homeownership as an eligible activity for the 2001 HOME Program, the 28th Legislative District Community Development Corporation (28th CDC) was one of only five agencies across the state to be awarded a grant for that purpose. The 28th CDC is an organization distinguished by its mission to act as a catalyst for economic development for the community it serves and improve the quality of life of the residents therein.

The 28th CDC was chartered in 1993 to serve the Chattanooga communities that comprise the legislative district for which the agency is named. They include: Avondale, Alton Park, Bushtown, Clifton Hill, Dalewood, Downtown, Eastdale, Eastside, East Chattanooga 1, Glenwood, Highland Park, Kingspoint, Lookout Mountain, Missionary Ridge-North, North Chattanooga, Orchard Knob, Piney Woods, Redbank 1, Redbank 2, Riverview, and Saint Elmo.

The agency is making a significant impact on these communities by serving as an effective, viable resource for better affordable housing options. Executive Director Forestine Watson-Haynes has managed the 28th CDC Affordable Housing Program since 1996. She submitted the successful HOME grant application to THDA in 2001, which resulted in an award of \$157,500. The THDA HOME funds are now being used in conjunction with another HOME award from the City of Chattanooga for the development of single family housing for homeownership in the city's Bushtown neighborhood. The 28th CDC is using the Chattanooga HOME funds primarily for acquisition and demolition of existing substandard housing, with the THDA HOME grant financing the construction of new houses and downpayment assistance for eligible

low-income homebuyers. As a CHDO, the 28th CDC will be able to use the proceeds generated from the sale of houses developed with HOME funds to continue with homeownership and other affordable housing activities after the grant is complete. This will allow the agency to continue rehabilitation and construction efforts in the target area, as well as other sections of the community.

“The overall goal is to restore the neighborhood to its former splendor,” said Ms. Haynes, who grew up in the community she now works to revitalize.

The 2001 grant-funded work is focused on two half-city blocks on Newell and Carson Streets, which have been identified for redevelopment by the City of Chattanooga and the local neighborhood association. The Bushtown Neighborhood Plan calls for improving the infrastructure and enhancing the area's visual appearance, promoting neighborhood safety, replacing inhabitable, dilapidated homes with attractive, affordable newly constructed housing. These efforts should make the area more attractive to prospective residents and complement local initiatives to provide incentives for teachers and law enforcement officers to purchase area homes. The plan was developed with significant neighborhood input through a series of community planning meetings. This is typical of the way 28th CDC works with the City and other

partners to identify candidate properties in targeted city neighborhoods. This is done as part of the City's overall redevelopment strategy to address areas with significant evidence of blight and neglect.

The agency's relationship with the City and cooperative partnerships with AmSouth Bank, Federal Home Loan Bank of Atlanta, the Southeast Local Development Corporation and Chattanooga Neighborhood Enterprises (CNE), has made it possible for a diverse group of homebuyers to obtain low interest (2-3%) second mortgage loans for closing cost assistance. The 28th CDC has assisted single men and women, couples, and families with children, including a grandmother raising her young elementary school age grandson. She raised her children in public housing and hoped to make a better life for her grandchild. With good credit, steady employment as a cafeteria cashier at a local college, and a downpayment assistance grant, she was able to qualify to purchase a new house. She and her grandson now live in an attractive home with three bedrooms and two baths, which happens to be next door to her sister, who also purchased her home through the 28th CDC program.

The 28th CDC's biggest housing initiative to date is slated to begin development before the Fall of 2003. The agency plans to build a new subdivision consisting of 20 newly constructed houses in Bushtown. The new community will be located on five acres of land, which formerly housed a minimum security work release prison. Through a relationship with the Fannie Mae Tennessee Partnership Office in Nashville, an application for a \$425,000 line of credit is currently in underwriting. The 28th CDC is also applying again to the Federal Home Loan Bank and for future HOME funds.

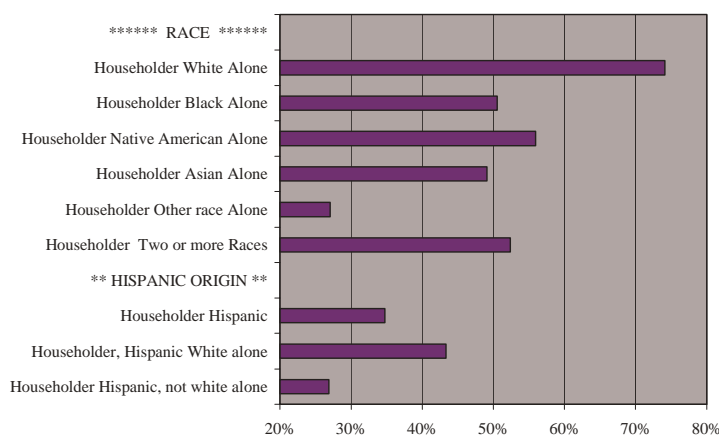
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Racial Differences in Housing Tenure and Housing Cost Burden

by Dean Namboothiri,
Chief of Housing Research, THDA

An analysis of successive census data on housing tenure from 1950 to 1990 revealed a persistent historical gap of over 20 percentage points between African-American and white homeownership rates in Tennessee (see *Tennessee Housing Outlook*, Volume 4, Issue 1, Fall 1999). This analysis also revealed that 70 percent of this homeownership gap is attributable to certain attributes more common among African-American families (lower income, more families with one wage earner, higher urban concentration and relatively younger households), all of which holds back many more of them from attaining homeownership.

Chart 1: Homeownership Rates in 2000 by Race and Hispanic Origin



Homeownership rates from 2000 census continue to display the same gap as both whites and African Americans gained a little in their rates, about one percentage point, since 1990 (see Chart 1). It is worth noting that, for the first time in the 2000 census, respondents were allowed to identify themselves in more than one racial category. The racial groupings in the charts are based on the identified racial categories of the heads of household. Minority groups other than African Americans also have lower homeownership rates compared to their white counterparts. Hispanic residents, especially the non-whites among them, are least likely to own their home. Both Hispanic and Asian populations increased rapidly during the Nineties. The fact that in-migrants choose to rent initially is reflected in the low ownership rates among Asians and Hispanics.

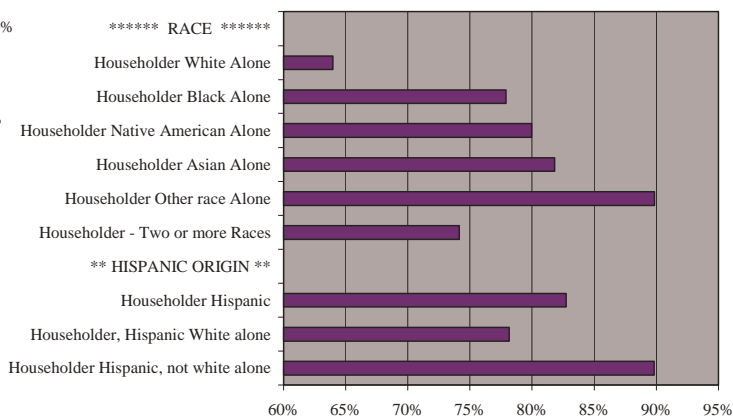
Housing Cost Burden

Insufficient income and inadequate supply of affordable housing keep many minority households from obtaining a home that they can afford. Housing analysts calculate housing cost by adding payments for energy and utility services (water, sewer, and trash collection) to payments of rent or mortgage. They measure housing cost burden by comparing this total cost to household income. A widely accepted benchmark is that a household is deemed burdened if the housing cost exceeds 30 percent of the household income.

Cost Burden Among Minority Homeowners

According to a recent analysis, renters in Tennessee experienced more or less the same level of housing cost burden in 2000 as in 1990, while housing cost burden increased significantly between the two censuses among homeowners with an existing mortgage (reported in the forthcoming winter issue of *Tennessee Housing Outlook*). Groups with a relatively larger presence of younger households and recent immigrants also benefit less from an abundance of households with “free and clear” homeownership. Compared to whites, minority groups in Tennessee are more prone to hold a mortgage in 2000 as shown in Chart 2.

Chart 2: Percent with a mortgage among all Tennessee Owner Households in 2000 by Race and Hispanic Origin



Among white homeowners with a mortgage, less than 24 percent experience cost burden (see Chart 3). Among non-Asian minority groups, the proportion of burdened families exceeds the 30 percent mark. African-American owners have the highest incidence (34 percent) of families burdened by housing cost.

Living Cost Burden in Tennessee

Rent Burden

Housing cost burden is much more prevalent among the households who rent than among owners. Almost 40 percent of the African-American renters are rent burdened, the highest rate among all groups compared. In spite of the fact that many of the Asians and Hispanics have recently arrived in Tennessee, these two minority groups consist of fewer burdened households.

Both Asian and Hispanic households include a much larger proportion of overcrowded households, as shown in Chart 5, (shown on page 6) which depicts the proportion of households with more than one person per room.

According to 2000 Census data, homeownership is still a dream for a significantly higher proportion of minorities than whites in Tennessee, in spite of concentrated efforts of governments, financial institutions and developers. Compared to white homeowners, owner cost burden is much higher among minority homeowners with home mortgages. In addition, minority homeowners are also less likely to own a home "free and clear". On the other hand, the alternative option of renting a home is the choice left to a large segment of minority households. Renter

Chart 3: Percent who Experienced Housing Cost Burden > 30% among Tennessee Owner Households with mortgages in 2000 by Race and Hispanic Origin

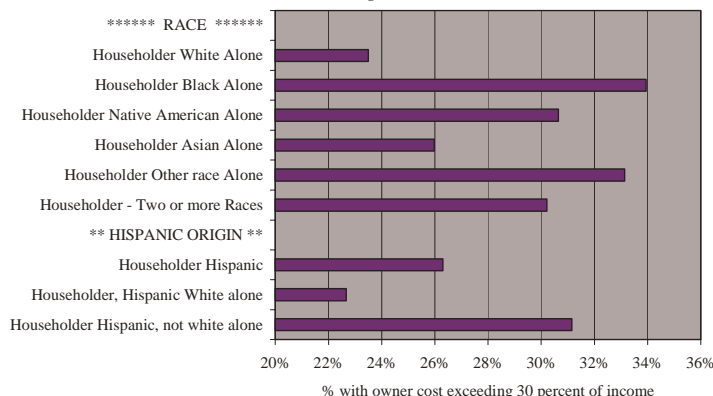
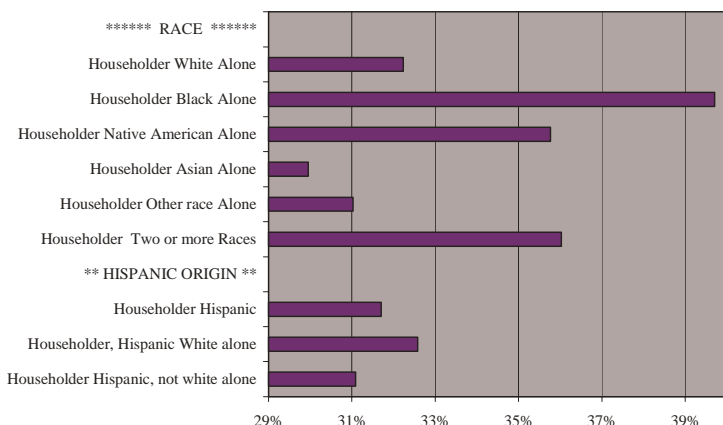


Chart 4: Percent who Experienced Rent Burden > 30% among Tennessee Renter Households in 2000 by Race and Hispanic Origin



(Continued on page 6)

What does it mean?

The homeownership gaps between Whites and minority groups in Tennessee are not unique to this state. Cooperative efforts from public and private sectors have not yet made a visible dent in this ubiquitous and persistent gap. THDA has been working over 30 years to enable lower income and minority residents of Tennessee achieve homeownership. In-migration of minorities to the state has become an increasing source of Tennessee population growth. Many housing programs at the state and local levels continue to help ease the housing cost burden and overcrowding among the low-income and minority residents. The "Low Income Housing Tax Credit" program encourages the construction and rehabilitation of housing units affordable to low-income residents. The "Section 8 Rental Assistance" eases the rent burden of many low-income households. The HOME program continues to allocate funds for the preservation of homes with low-income occupants. One can't exaggerate the need for these programs to reach out to minorities since they lag in homeownership and also have to endure housing cost burden more often than their white counterparts.

Want more info?

A variety of efforts to promote homeownership that have been underway during the Nineties are well documented. Home financing Institutions have enhanced home loans to minorities during the Nineties. For an account of Fannie Mae efforts, see "Minority Homeownership" on their web page, <http://www.fanniemae.com/initiatives/minority/performance.jhtml?p=Initiatives>. For a critical discussion of current homeownership policies, see Almasi, David W., "Giving With One Hand, Taking Away with the Other: Competing Government Policies Both Promote and Deny Homeownership Opportunities for Minorities", National Policy Analysis #402, April 2002, <http://www.nationalcenter.org/NPA402.html>.

28th Legislative District

(continued from page 3)



Wilson Street, Chattanooga's Bushtown neighborhood

"We are extremely excited about this initiative which promises to have a total turn around effect on the Bushtown neighborhood and surrounding communities. We couldn't do any of this work without the funding programs offered by the Tennessee Housing Development Agency, Fannie Mae, and others with whom we have

been fortunate enough to develop partnering relationships," said Ms. Haynes.

The organization's focus is not only housing, but also economic development in the broader sense. For each of the past two years, the 28th CDC has organized an economic development conference featuring nationally syndicated journalist and philanthropist Tavis Smiley in 2000, and author and scholar, Professor Michael Eric Dyson in 2001. Also, in addition to other housing construction and rehabilitation activities throughout its service area, the organization has several diverse economic development projects in the works. These include downtown commercial development, Neighbor Works Homebuyers Education Accreditation, and a Culinary Training Program (with the American Culinary Federation), as well as apprenticeship co-ops.

The organization's achievements have not gone unnoticed. In September of 2002, the 28th Legislative District CDC was recognized by Minority Enterprise Development Week as the Service Business of the Year in Chattanooga. Ms. Haynes is proud of her organization's achievements and has high hopes that future initiatives will be every bit as successful.



North Hickory Street, Chattanooga's Bushtown neighborhood

New Neighbors



Opening Your Doors to the Hispanic Community

An interactive seminar focusing on homeownership & affordable housing issues for our increasing Hispanic population across Tennessee.

When: April 3, 2003

**Where: Radisson Hotel
Opryland
Nashville**

Time: 8:30 - 4:30

\$50.00 per person (reception to follow)

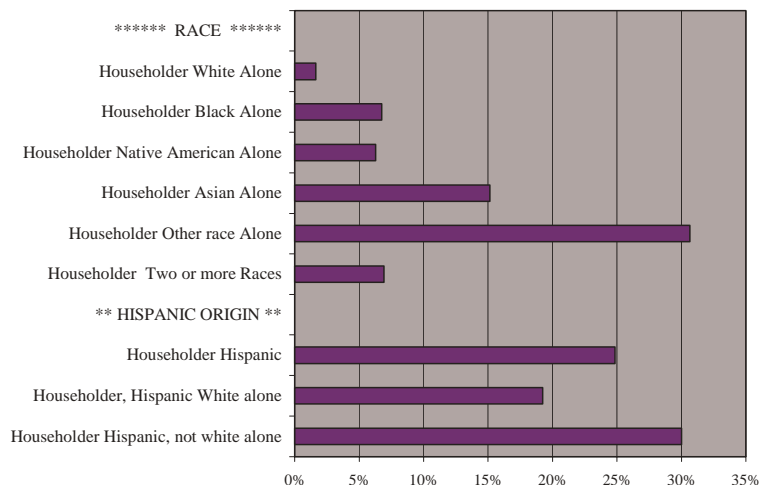
For a registration form and more information, log onto the THDA website at www.state.tn.us/thda on or after 2/17/03. Seating is limited.

Racial Differences

(continued from page 5)

households with housing cost burden are much larger in proportion among African-American and Native-American categories than white, Asian and Hispanic categories. However, Asian and Hispanic households are more prone to overcrowding, which implies that they may have to opt for inadequate housing in order to avoid significant cost burden.

CHART 5: Percent of Households with more than one person per room by Race & Hispanic Origin





What's Happening in Our House?



Employee of the Quarter



*Linda Foulks,
Information Resources Support Specialist*

The Employee of the Fourth Quarter for 2002 was Linda Foulks. Linda began working for THDA in November of 1992, in what was known as Technical Services (now Research and Planning Division) as an Administrative Assistant II. Later, she was promoted to Information Resources Support Specialist in the Management Information Systems Division on April of 1995.

Linda has served on many committees and taken the lead in most. At one time THDA had an internal newsletter, which Linda was key in producing. She also served as chairperson for the agency's Council for Employee Excellence (CEE) for the past several years. During her tenure, the Agency has made several

major improvements in the workplace that benefit the employees - a casual dress policy, alternative work schedule, employee recognition and many others.

Linda also served on the Activities Committee, which organizes events throughout the year for the employees and introduces ideas that will create a more family atmosphere among THDA employees.

Linda is an outstanding employee. She helps staff in a positive manner, conducts computer training workshops, and many other tasks. All this is done with a smile and the Agency's best interest at heart. Congratulations to Linda Foulks!

Update on Federal Housing Legislation

The Housing Bond and Credit Modernization and Fairness Act of 2002 bill (H.R. 951/S. 677) that NCSHA and Housing Finance Agencies (HFAs) across the state managed to gather over 80 % sponsorship for - failed to reach a vote!

The bill has been reintroduced by Representatives Houghton (R-NY) and Neal (D-MA) as the Housing Bond and Credit Modernization and Fairness Act of 2003, House Bill 284. This bill is almost identical to the bill that was being considered in 2002. The bill would amend the Internal Revenue Code of 1986 in two key ways as follows: repeal the required use of certain principal repayments on mortgage subsidy bond financing to redeem bonds; and modify the

purchase price limits under mortgage subsidy bond rules to make them based on median family incomes.

The Ten-Year Rule, enacted in 1988, requires states to use Mortgage Revenue Bonds (MRB) mortgage payments received after the original MRB has been outstanding for ten years to retire the MRB rather than to make new mortgages to additional qualified purchasers.

MRBs issued by state HFAs have financed more than 2 million first-time homes for lower income families. The Tax Code limits MRB financing to homes costing no more than 90 percent of the average purchase price in the home's statistical area.

How does this effect Tennessee? The Ten-Year Rule is the part of the

bill that has the greatest affect on our state. During 1998-2002, THDA committed \$1.17 billion in mortgages. During that time, we lost \$241 million in refunding opportunities due to the Ten-Year Rule. We are projecting \$1.2 billion in mortgages for 2003-2007. If prepayments are equal to the past five years, THDA will lose approximately \$292 million in potential resources over the next five years.

Congressman John Duncan (R-TN), 2nd District, is the first cosponsor from Tennessee on the new bill. At this time, there hasn't been a Senate companion bill introduced. Look for more information in our spring issue of *Housing Matters*.

A Schedule of Housing Matters

Tennessee Housing Development Agency Meetings

Mar. 10 HOME Workshop (Brownsville)
 Mar. 12 HOME Workshop (Oak Ridge)
 Mar. 14 HOME Workshop (Nashville)
 Mar. 20 Board Meeting
 Mar. 25-27 SAHMA (Franklin)
 Apr. 3 New Neighbors Hispanic Conf.
 May 15 Board Meeting

For more information regarding these meetings, please contact our Nashville office at 615-741-2400.

Knox Housing Partnership Homebuyers Ed. Classes

Call to preregister for classes at 865-637-1679

Mar. 3	5:30-8:30
Mar. 17	5:30-8:30
Apr. 7	5:30-8:30
Apr. 21	5:30-8:30
May 5	5:30-8:30
May 19	5:30-8:30
June 2	5:30-8:30
June 16	5:30-8:30

Fast Track Homeownership Education Program Affordable Housing Resources, Inc.

Call to preregister for classes at 615-251-0025.

Mar. 18	6:00-8:30
Mar. 20	6:00-8:30
Apr. 15	6:00-8:30
Apr. 17	6:00-8:30
May 20	6:00-8:30
May 22	6:00-8:30

Homebuyers Education Classes Residential Resources, Inc.

Call to preregister for classes at 615-650-9779

Mar. 8	8:00-3:00
Mar. 11	4:00-8:00
Mar. 18	4:00-8:00
Mar. 22	8:00-3:00
Apr. 5	8:00-3:00
Apr. 8	4:00-8:00
Apr. 15	4:00-8:00
Apr. 26	8:00-3:00
May 3	8:00-3:00
May 6	4:00-8:00
May 13	4:00-8:00
May 17	8:00-3:00
May 31	8:00-3:00

Fast Track at Woodbine

Call to preregister for classes at 615-833-9580.

Part 1 Mar. 18	5:30-8:30	Part 1 Apr. 15	5:30-8:30
Part 2 Mar. 20	6:00-8:30	Part 2 Apr. 17	6:00-8:30
		Part 1 May 20	5:30-8:30
		Part 2 May 22	6:00-8:30

Note to Reader

All items listed in the above schedule are items that have been submitted to THDA. A schedule of housing events will appear in each issue of *Housing Matters*. The events for the next issue should be dated between May 15 - July 15. If you or someone you know would be interested in placing something in the Spring issue, please send it to Toni Harris, THDA, 404 James Robertson Parkway, Nashville, TN, 37243-0900 or email your information to toni.harris@state.tn.us. Please visit our webpage for more information at www.state.tn.us/thda.



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The Tennessee Housing Development Agency is committed to principles of equal opportunity, equal access, and affirmative action. Contact the THDA EEO/AA, ADA Coordinator (615/741-1106)



H. David Hayes, Chairman
Janice L. Myrick, Executive Director
Toni Harris, Editor

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Housing Matters
 Tennessee Housing Development Agency
 404 James Robertson Parkway, Suite 1114
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